

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF VIRGINIA
ROANOKE DIVISION

In Re:) Chapter 11
Cobalt Coal, LLC)
Debtor) Case Number: 19-70149

AMENDED MOTION TO ASSUME LEASE
WITH STEINMAN DEVELOPMENT COMPANY

Comes now the debtor, Cobalt Coal, LLC, (the “Debtor”) by counsel, pursuant to 11 U.S.C. § 365 and Fed. R. Bankr. P. 6006, and amends its motion to assume the previously filed Motion to Assume Lease with Steinman Development Company [Docket Entry No. 25] and Debtor moves to assume that certain Lease dated December 12, 2012, and its amendments, with Steinman Development Company (“Steinman”), and in support thereof states as follows:

1. The Debtor filed a petition seeking relief under Chapter 11 of the United States Bankruptcy Code on January 31, 2019. The Court entered an order on February 1, 2019, naming debtor as debtor-in-possession. Debtor has the powers of a trustee.
2. Jurisdiction is founded in the Court by 28 U.S.C. § 157. This is a core proceeding.
3. The Debtor has entered into a lease agreement dated December 12, 2012, with Steinman, and its amendments thereto (the “Lease”). A copy of the lease agreement, and its amendments, are attached as Exhibits A - E to Proof of Claim Number 1 filed by Steinman. This Lease provides access to certain coal deposits that would be productive and profitable to mine.
4. Steinman has asserted in Proof of Claim Number 1, that the pre-petition arrears owed from Cobalt is \$58,013.26; consisting of \$50,000.00 in monthly minimum royalty payments for

December 2018 and January 2019, and \$8,013.26 in real estate taxes for the last six months of the 2018 tax year.

5. The Debtor agrees that it owes Steinman \$58,013.26 in pre-petition arrears, and Debtor will promptly cure this arrears with Steinman.
6. The Debtor is current with all post-petition payments due under the Steinman Lease through August 31, 2019. Then next payment under the Steinman lease is due September 20, 2019.
7. The Lease began on December 12, 2012, and it expires on December 12, 2032; it is a twenty year lease. The Lease also provides Debtor with an option to renew the Lease for an additional ten years, which, if renewed, it would make the Lease expiration date December 12, 2042.
8. The assumption of this Lease will not cause hardship on the estate and it is in the estate's best interest to allow the Debtor's business to continue to operate for the benefit of its creditors. The Debtor further believes that the assumption of the lease will increase the likelihood of a successful reorganization for the benefit of the unsecured creditors.
9. The Debtor has submitted various mining plans to Steinman, as required under the Lease, however, the first two submittals (1st request for high-wall mining and 2nd request to mine the "Upper Banner Seam" by underground mining) were denied by Steinman based on its interpretation of the Lease, which is different from the Debtor's interpretation. Debtor has prepared plans to submit to Steinman to underground mine the "Hagy Seam" and the "Lower Banner Seam (Davis Tract)."
10. When a mining plan is approved by Steinman, the Debtor will be able to begin mining the large volume of metallurgical coal available under the Lease, with a current sale price (as of September 6, 2019) of \$148.50 per metric-ton, and after logistics to transport the coal to the selling point, the realized sale price will be \$87.77 per U.S. ton.

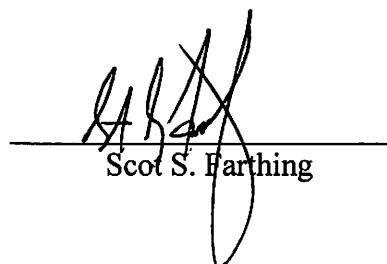
- a. The estimated cost to mine the coal located in the Lower Banner Seam is estimated to be \$71.59 per ton. This would generate an estimated net profit of \$7.84 per ton. The estimated coal available in the Lower Banner Seam is 3,307,000 tons; providing a total net profit of \$25,930,604.00 if mined at this estimated cost and sales price.
 - b. The cost to mine the coal located in the Hagy Seam is estimated to be \$64.76 per ton. This would generate an estimated net profit of \$14.67 per ton. The estimated coal available in the Hagy Seam is 1,378,500 tons; providing a total net profit of \$20,224,147.00 if mined at this estimated cost and sales price.
11. The Debtor will have funds available from its parent company, or companies, through capital contributions or loans to continue paying the monthly minimum payment to Steinman and to fund the costs and expenses of the mining start-up. The plan is for Cobalt to subcontract out the actual mining of the Coal, which will place some of the start-up/staging costs and expenses on the contractor that mines the coal.
12. The Debtor has performed under the Lease since the beginning of this case and it is able to satisfy all of its obligations under the Lease, which will provide Steinman the full benefit of its bargain under the Lease.

COBALT COAL, LLC
-By Counsel-

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Certificate of Service

This is to certify that I have this 13th day of September 2019, filed the foregoing in the Court's CM/ECF system with copies served electronically on the U.S. Trustee and any other creditors receiving notice through the Court's CM/ECF system, and mailed a true copy of the foregoing Motion via first class mail, postage prepaid, to all creditors on the mailing matrix.



Scot S. Farthing